

## Message Text

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ACTION EA-10

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 474

C O N F I D E N T I A L MANILA 1733

E.O. 11652: GDS

TAGS: SGEN, RP

SUBJECT: VETERANS CLAIMS

SS: (A) STATE 258748 (1974 SERIES)

(C) MANILA 8044 (1974 SERIES)

(C) MANILA 14374 (1974 SERIES)

SUMMARY: PRESIDENTIAL DECREE PROMULGATED JANUARY 21, 1975, APPORTIONS UNEXPENDED FUNDS PROVIDED GOP UNDER 1967 US-RP CLAIMS SETTLEMENT AGREEMENT. PORTION OF FUNDS TO BE INVESTED IN VETERAN-RELATED PURPOSES, ANOTHER PART TO BE RESERVED TO PAY UNADJUDICATED CLAIMS WITH RELATIVE SMALL AMOUNT TO BE USED TO PAY MEDICARE AND LOANS TO VETERANS NOT COVERED BY THE AGREEMENT. EMB BELIEVES LATTER USE IS BEYOND SCOPE OF ABOVE AGREEMENT. EMB PLANS TO BRING MATTER TO ATTENTION OF GOP; BUT TO FACILITATE APPROACH, REQUEST AUTHORITY TO DISCUSS AMENDMENT TO AGREEMENT PREVIOUSLY PROPOSED BY EMB IN REFTELS. REQUEST DEPT'S COMMENTS. END SUMMARY

1. BY PRESIDENTIAL DECREE NUMBER 642, GOP HAS APPORTIONED BALANCE (83 MILLION PESOS OF ORIGINAL 121,368,000 PESOS) OF VETERANS CLAIMS SETTLEMENT FUND UNEXPENDED AFTER PAYMENT OF 62,721 CLAIMS FOR  
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BACK PAY AND REFUND OF ERRONEOUS BACK PAY DEDUCTIONS

UNDER US-RP AGREEMENT ON SETTLEMENT OF VETERANS CLAIMS (TIAS 6295, 18 UST 1392, DATED JUNE 29, 1967) FOR VARIOUS PURPOSES. DECREE APPORTIONS THE 83 MILLION PESO BALANCE AS FOLLOWS: (1) 49 MILLION PESOS TO PHILIPPINE VETERANS BANK FOR PURCHASE OF CAPITAL STOCK IN BANK; (2) 24 MILLION PESOS FOR PAYMENT OF UNADJUDICATED REMAINING CLAIMS UNDER VETERANS CLAIMS AGREEMENT; (3) 8 MILLION PESOS FOR COVERING SUBSCRIPTION OF CAPITAL IN PHILIPPINE VETERANS DEVELOPMENT CORPORATION; (4) 2 MILLION PESOS TO PHILIPPINE VETERANS ASSISTANCE COMMISSION TO PROVIDE MEDICARE AND LOANS TO ALL PHILIPPINE VETERANS. IN ISSUING DECREE, PRESIDENT MARCOS STRESSED THE NEED TO INVEST IN PROJECTS QUOTE WHICH ARE LABOR-INTENSIVE, AND PRODUCTIVE OF HIGH RETURNS, TO PREVENT THE STAGNATION OF THE SAID FUNDS, WITHOUT PREJUDICE TO THE SETTLEMENT OF UNPAID CLAIMS. UNQUOTE DECREE AND OFFICIAL NEWS RELEASE POICHD EA/PHL.

2. IT APPEARS TO EMB THAT PORTIONS OF ABOVE DECREE EXCEED THE PROVISIONS OF THE US-RP AGREEMENT ON THE SETTLEMENT OF VETERANS CLAIMS CITED ABOVE. PARA 4 OF SAID AGREEMENT RESTRICTS THE UTILIZATION OF FUNDS PROVIDED GOP TO THE PAYMENT OF BACK PAY TO RECOGNIZED GUERRILLAS WHOSE NAMES APPEAR ON THE REVISED FINAL ROSTER OF MARCH 1948. PARTS OF THE DECREE WOULD ALLOW FUNDS TO BE USED FOR MEDICAL AND DISABILITY PAYMENTS, SUPPORT OLD AGE HOMES AND PROVIDE SMALL BUSINESS LOANS TO ALL VETERANS, NOT RESTRICTED TO THE CLASS OF VETERAN SPECIFIED IN THE AGREEMENT. SOME QUESTION COULD ALSO BE RAISED OF INVESTMENT ASPECT OF THE DECREE, BUT WE BELIEVE A REASONABLE CASE COULD BE MADE THAT SUCH VETERAN RELATED USE OF FUNDS IS MERELY ALTERNATE WAY OF INVESTING THE FUNDS IN QUESTION AND 1967 AGREEMENT DOES NOT SPECIFY HOW FUNDS SHOULD BE PRESERVED PENDING THEIR USE OF PAYMENT OF CLAIMS. THEREFORE, THERE DOES NOT APPEAR TO BE GROUNDS FOR USG TO OBJECT TO SUCH INVESTMENTS. HOWEVER, THE FUNDS TO BE USED FOR MEDICARE AND LOANS TO NON-AGREEMENT VETERANS (2 MILLION PESOS) ARE FOR PURPOSES

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NOT SPECIFIED IN THE AGREEMENT. THEREFORE, EMB BELIEVES IT IS DESIRABLE TO BRING TO ATTENTION OF GOP THE POSSIBLE CONFLICT WITH THE INTERNATIONAL AGREEMENT IF THEY FULLY IMPLEMENT THE PRESIDENTIAL DECREE, AS NOW WRITTEN.

3. ALTHOUGH EVENTS HAVE NOW SOMEWHAT OVERTAKEN EMB PROPOSED LIMITED AMENDMENT OF CLAIMS AGREEMENT TO

PERMIT GOP TO UTILIZE UNUSED FUNDS FOR LIMITED WWII PHILIPPINE VETERANS PURPOSES, WE BELIEVE IT WOULD FACILITATE OUR APPROACH TO GOP IF WE HAD AUTHORITY TO PROPOSE TO THEM A POSSIBLE ALTERNATE METHOD FOR THEM TO LEGALLY UTILIZE THE 2 MILLION PESO FUND WHICH THEY HAVE NOW DESIGNATED FOR NON-AGREEMENT PURPOSES. WHILE EMB PREVIOUSLY PROPOSED AMENDMENT (REFTEL B) WOULD NOT SATISFY ALL GOP DESIRES REFLECTED IN DECREE, IT MAY CAUSE THEM TO PAUSE AND BE INTERESTED IN EXPLORING LEGAL OPTIONS THAT COULD BE AVAILABLE IN GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS ON SUBJECT. GOP MAY BE WILLING TO ACCEPT AMENDMENT AS CONSTRUCTIVE WAY OF CONFORMING THEIR ACTIONS WITH 1967 AGREEMENT AND WHICH WILL ONLY REQUIRE A SLIGHT MODIFICATION OF NEW DECREE. FACT DECREE HAS BEEN PUBLICIZED COULD CAUSE SOME PROBLEMS, BUT GOP HAS FREQUENTLY NEGATED ITS OWN DECREES, AND WE THINK MAY BE PREPARED TO DO SO THIS CASE IF WE HAVE ALTERNATE PROPOSAL TO MAKE.

4. ACTION REQUESTED: (1) DEPT'S COMMENTS ON PRESIDENTIAL DECREE VIS A VIS US-RP VETERANS CLAIMS SETTLEMENT AGREEMENT, AND (2) AUTHORITY TO EXPLORE WITH SELECTED GOP AUTHORITIES THE PROPOSED AMENDMENT RECOMMENDED IN REFTEL B. THIS WOULD STILL BE ONLY PRELIMINARY EXPLORATION OF SUBJECT WITHOUT 175 AUTHORITY UNTIL WE ASCERTAIN GOP REACTION. IF GOP REACTION AT ALL FAVORABLE, 175 AUTHORITY THEN COULD BE FORMALLY OBTAINED AND OTHER ACTIONS TAKEN WHICH WERE SUGGESTED IN REFTEL A.  
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